

# **PUBLIC DISCLOSURE**

July 13, 2015

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Newburyport Five Cents Savings Bank  
Certificate Number: 90251

63 State Street  
Newburyport, MA 01950

Division of Banks  
1000 Washington Street  
Boston, Massachusetts 02118

Federal Deposit Insurance Corporation  
350 Fifth Avenue, Suite 1200  
New York, New York 10118

This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the Division of Banks or the Federal Deposit Insurance Corporation concerning the safety and soundness of this financial institution.

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## INSTITUTION RATING

**INSTITUTION'S CRA RATING:** This institution is rated **Satisfactory**. An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area (AA), including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Newburyport Five Cents Savings Bank's ("Newburyport Five" or "the bank"), satisfactory Community Reinvestment Act (CRA) performance under the Lending Test and Community Development Test supports the overall rating. Examiners did not identify any evidence of discriminatory or other illegal credit practices. The following points summarize the bank's Lending Test and Community Development Test performance.

**The Lending Test is rated Satisfactory.**

- The average loan-to-deposit (LTD) ratio of 114.2 percent is more than reasonable given the bank's size, financial condition, and AA credit needs.
- The bank made a majority of home mortgage (67.0 percent) and sampled small business (67.4 percent) loans in the AA during the evaluation period.
- The geographic distribution of loans reflects reasonable dispersion throughout the AA, including low- and moderate-income geographies.
- The distribution of borrowers reflects reasonable penetration among individuals of different income levels, including low-and moderate-income, and businesses of different sizes.
- The bank did not receive any CRA-related complaints during the evaluation period; therefore, this criterion did not impact the Lending Test rating.

**The Community Development Test is rated Satisfactory.**

- The institution demonstrated adequate responsiveness to the community development needs of its AA through community development loans, qualified investments, and community development services, as appropriate. Examiners considered the institution's capacity and the need and availability of such opportunities for community development in the AA.

## **SCOPE OF EVALUATION**

### ***General Information***

This evaluation covers the period from the prior evaluation dated June 4, 2012, to the current evaluation dated July 13, 2015. Examiners used the Interagency Intermediate Small Institution Examination Procedures to evaluate the bank's performance. These procedures include two tests: the Small Bank Lending Test and the Community Development Test.

While the bank maintains two separate AAs in Massachusetts and New Hampshire, both fall within the Boston-Cambridge-Quincy MA-NH MSA. As a result, while there are separate conclusions for each AA incorporated into the performance evaluation, only one rating is assigned.

The Lending Test considered the institution's performance according to the following criteria:

- Loan-to-deposit ratio
- AA concentration
- Geographic distribution
- Borrower profile
- Response to CRA-related complaints

The Community Development Test considered the following factors:

- Number and dollar amount of community development loans, qualified investments and community development services
- The responsiveness of such activities to the community development needs of the AA

Banks must achieve at least a Satisfactory rating under each test to obtain an overall Satisfactory rating. This evaluation does not include any lending activity performed by affiliates.

### ***Loan Products Reviewed***

Examiners determined that the bank's major product lines are home mortgage and small business loans. This conclusion considered the bank's business strategy and the number and dollar volume of loans originated during the evaluation period.

The bank's record of originating home mortgage loans contributed more weight to overall conclusions due to the larger loan volume when compared to small business lending during the most recent calendar year. Also, no other loan types, such as small farm loans or consumer loans, represent a major product line. Therefore, they provided no material support for conclusions or ratings and are not presented.

Bank records indicated that the lending focus and product mix remained consistent throughout the evaluation period. This evaluation considered all home mortgage loans reported on the bank's 2013 and 2014 Home Mortgage Disclosure Act (HMDA) Loan Application Registers (LARs). For 2013, the bank reported 258 loans totaling \$79.7 million, and for 2014, the bank reported 200 loans totaling \$67.8 million. Examiners did not identify any trends between 2013

and 2014 that materially affect conclusions. Therefore, this evaluation presents information for 2013, the most recent year for which aggregate data is available.

In addition, examiners selected a sample of small business loans originated in the period from January 1, 2014 through December 31, 2014. This sample was considered representative of the bank's performance during the entire evaluation period. The bank originated 85 small business loans totaling \$12.6 million in 2014, of which 43 totaling \$6.0 million were sampled. D&B data for 2014 provided a standard of comparison for the sampled small business loans.

For the Lending Test, examiners reviewed the number and dollar volume of home mortgage loans and small business loans. While number and dollar volume of loans are presented, examiners emphasized performance by number of loans because the number of loans is a better indicator of the number of businesses and individuals served.

For the Community Development Test, bank management provided data on community development loans, qualified investments, and community development services since the prior CRA evaluation dated June 4, 2012.

## DESCRIPTION OF INSTITUTION

### ***Background***

Newburyport Five is a mutual savings institution incorporated under the laws of the Commonwealth of Massachusetts in 1854. Newburyport Five is headquartered at 63 State Street in Newburyport, MA. In addition to the main office in Newburyport, MA, Newburyport Five operates seven other full-service branches; one in Newburyport, MA; one in Salisbury, MA; one in Newbury, MA; two in Amesbury, MA; and two in Portsmouth, NH. There is also a limited-service office at an assisted living facility in Newburyport, MA, where the residents are customers.

The institution received a Satisfactory rating at its previous FDIC Performance Evaluation, conducted jointly by the Massachusetts Division of Banks (Division) and the FDIC, dated June 4, 2012. The Division and FDIC followed Interagency Intermediate Small Institution Examination Procedures to conduct the evaluation.

### ***Operations***

Newburyport Five offers a variety of products and services such as deposit products, including checking accounts, savings accounts, and certificates of deposit.

The bank offers a variety of home financing programs such as fixed- and adjustable-rate mortgages for the purchase, refinance, improvement, and construction of residential property, as well as a first-time homebuyers program. Newburyport Five also offers a full line of commercial credit products. In addition to residential and commercial products, the bank offers secured and unsecured consumer loans such as home equity lines of credit, home improvement, auto, and boat loans, personal loans, and overdraft lines of credit.

Alternative banking services include internet ([www.newburyportbank.com](http://www.newburyportbank.com)), telephone, mobile, and text banking; electronic bill pay; automated teller machine (ATM)/debit cards, and an ATM located at each full-service branch. The bank opened two branches in Portsmouth, NH, in June and November 2013, both of which are in middle-income census tracts.

### ***Ability and Capacity***

Assets totaled approximately \$711.4 million as of March 31, 2015, which included total loans of approximately \$559.4 million. The portfolio is illustrated in the following table.

<b>Loan Portfolio Distribution as of March 30, 2015</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction, Land Development, and Other Land Loans	51,222	9.1
Secured by Farmland	1,057	0.2
Secured by 1-4 Family Residential Properties	314,621	56.2
Secured by Multi-Family (5 or more) Residential Properties	15,169	2.7
Secured by Non-farm Non-residential Properties	157,723	28.2
Agricultural Production and Other Loans to Farmers	0	0.0
Commercial and Industrial Loans	17,757	3.2
Consumer	1,485	0.3
Obligations of States and Political Subdivisions in the United States	391	0.1
Other Loans	0	0.0
Lease Financing Receivables (net of unearned income)	0	0.0
<b>Total Loans and Leases</b>	<b>559,425</b>	<b>100.0</b>

*Source: March 30, 2015 Call Report*

No financial or legal impediments exist that would limit or impede the bank's ability to meet the credit needs of its community or delineated AA.

## **DESCRIPTION OF ASSESSMENT AREA**

The CRA requires each financial institution to define one or more AAs within which its CRA performance will be evaluated. Newburyport Five has designated two non-contiguous AAs in the Boston-Cambridge-Newton, MA-NH MSA. One AA is located in the Cambridge-Newton-Framingham, MA Metropolitan District (MD) and includes a portion of the Rockingham County-Strafford County, NH MD. The second AA is also located in the Rockingham County-Strafford County, NH MD, but is not contiguous to the other AA. The AAs conform to CRA requirements since they consist of whole geographies, do not arbitrarily exclude low- and moderate-income areas, and do not reflect illegal discrimination. The bank added a second AA since the previous CRA evaluation to encompass the two new branches opened in Portsmouth, NH.

The two AAs will be referred to as the Newburyport, MA AA and the Portsmouth, NH AA. Of the eight full-service branches, six are located in the Newburyport, MA AA in the Cambridge-Newton-Framingham, MA MD. The Newburyport, MA AA includes Amesbury, MA, Newbury, MA, Newburyport, MA, West Newbury, MA, Salisbury, MA, and Seabrook, NH. The Portsmouth, NH AA includes Portsmouth, NH (where the two branches are located), Greenland, NH, and Rye, NH.

The following sections discuss demographic and economic information for each AA.

### ***Economic and Demographic Data***

The AAs collectively encompass 23 census tracts with the following income designations according to the 2010 U.S. Census:

- 0 low-income tracts,
- 3 moderate-income tracts,
- 15 middle-income tracts, and
- 5 upper-income tracts.

Due to changes to census tract classifications by the Office of Management and Budget that went into effect in 2014, three upper-income census tracts were reclassified as middle-income tracts. The following tables illustrate select demographic characteristics of the AAs as of 2014.

Demographic Information for the Assessment Areas						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
Geographies (Census Tracts)	23	0.0	13.0	65.2	21.8	0.0
Population by Geography	92,923	0.0	12.0	63.8	24.2	0.0
Owner-Occupied Housing Units by Geography	27,605	0.0	11.9	63.2	24.9	0.0
Non-Farm Businesses by Geography	11,620	0.0	9.5	62.4	28.1	0.0
Distribution of Families by Income Level	23,982	17.1	19.1	21.4	42.4	0.0
Median Family Income (2010 U.S. Census)		\$90,096	Median Housing Value		\$391,255	
2014 FFIEC-Estimated Median Family Income		\$94,973	Unemployment Rate		3.9%	
Families Below Poverty Level		2.9%				

*Sources: 2010 U.S. Census data, 2014 D&B data, 2014 FFIEC-Estimated Median Family Income*

The table above shows that the majority of the population and the majority of owner-occupied units are located in middle and upper income geographies.

According to 2014 D&B data, there were 11,620 non-farm businesses across the AAs. The analysis of small business loans under the Borrower Profile section of the Lending Test compares the distribution of businesses by gross annual revenue (GAR) level. GARs for businesses in the AAs are below.

- 71.7 percent have \$1 million or less.
- 6.1 percent have more than \$1 million.
- 22.2 percent have unknown revenues.

Service industries represent the largest portion of businesses at 44.8 percent; followed by retail trade at 13.8 percent; construction at 7.0 percent; and finance, insurance, and real estate at 8.4 percent. In addition, 64.3 percent of businesses in the area employ four or fewer people and 89.7 percent of businesses in the area operate from a single location.

FFIEC-estimated median family income data at the MD level is used to analyze home mortgage loans under the Borrower Profile section of the Lending Test. The low-, moderate-, middle-, and upper-income categories within each MD are presented in the table below.



<b>Median Family Income Ranges</b>				
<b>Median Family Incomes</b>	<b>Low &lt;50%</b>	<b>Moderate 50% to &lt;80%</b>	<b>Middle 80% to &lt;120%</b>	<b>Upper ≥120%</b>
<b>Cambridge-Newton-Framingham, MA MD</b>				
2013 - \$83,500	<\$41,750	\$41,750 to <\$66,800	\$66,800 to <\$100,200	≥\$100,200
2014 - \$93,300	<\$46,650	\$46,650 to <\$74,640	\$74,640 to <\$111,960	≥\$111,960
<b>Rockingham County-Strafford County, NH MD</b>				
2013 - \$87,000	<\$43,500	\$43,500 to <\$69,600	\$69,600 to <\$104,400	≥\$104,400
2014 - \$86,600	<\$43,300	\$43,300 to <\$69,280	\$69,280 to <\$103,920	≥\$103,920

*Source: 2014 FFIEC-Estimated Median Family Income*

There are 28,887 housing units in the Newburyport, MA AA, of which 18,750 are owner-occupied, 6,698 are occupied rental units, and 3,439 are vacant. In the Portsmouth, NH AA, there are 15,624 units, of which 8,855 are owner-occupied, 5,411 are occupied rental units, and 1,358 are vacant. The median housing values are relatively high, with the Newburyport, MA AA at \$396,041 and the Portsmouth, NH AA at \$384,264.

### ***Competition***

Newburyport Five operates in a competitive lending environment. The bank faces competition from large national and regional banks, mortgage companies, community banks, and credit unions in the area. Residential lending market share reports for 2013 revealed that 236 lenders reported 3,367 originations and/or purchases totaling approximately \$922 million in the overall AA. The bank ranked 4<sup>th</sup> and captured 4.66 percent of the market share with 178 loans totaling \$49.7 million. The three banks with the most significant market shares were Institution for Savings, JPMorgan Chase Bank, N.A., and Wells Fargo Bank, NA, with a combined 22.2 percent market share. Other competitors operating within the AAs include Bank of America, N.A.; CitiMortgage, INC.; The Provident Bank; and Citibank, N.A.

### ***Community Contact***

As part of the evaluation process, examiners contact third parties active in the AAs to assist in identifying the credit and community development needs. This information helps determine whether local financial institutions are responsive to these needs. It also shows what credit and community development opportunities are available.

Examiners contacted an organization in each AA. The Newburyport AA contact identified opportunities for institution involvement in financing local revitalization and infrastructure developments, particularly within areas delineated as low- or moderate-income. The contact noted that local institutions (e.g. Newburyport Five) are involved in providing housing rehabilitation loans or assistance to individuals who may not qualify for traditional financing programs. The contact also noted a need for additional financial literacy programs in accordance with youth organizations or local schools.

The Portsmouth AA contact identified a diverse housing stock as the most pressing need for residents in the area. Affordability acts as a significant barrier to home ownership in the area.

Down-payment and closing cost assistance from local financial institutions would be helpful. Banks in the area do provide support to city initiatives. Technical assistance from area banks in the form of a housing development plan would assist local organizations in providing stable housing for the community. Additionally, providing the area workforce with more flexible auto lending would benefit the economy, as a large number of jobs in the area require reliable transportation.

### ***Credit and Community Development Needs and Opportunities***

Considering the community contact information, bank management input, and demographic data, examiners determined that residential loans represent a primary credit need for the AAs. There is a large stock of owner-occupied housing in the area, appreciating in value. As prices for these homes rise, affordable housing opportunities fall for a large segment of the community. Community development assistance with housing and other basic services to this portion of the population may improve the situation. Additionally, area investment in infrastructure and services represent an opportunity for community development.

## CONCLUSIONS ON PERFORMANCE CRITERIA

### LENDING TEST

Newburyport Five demonstrated reasonable performance under the Lending Test. Geographic Distribution and Borrower Profile performance primarily support this conclusion.

### Loan-to-Deposit Ratio

The LTD ratio is more than reasonable given the institution's size, financial condition, and AA credit needs. The bank's LTD ratio, calculated from Call Report data, averaged 114.2 percent over the past 12 calendar quarters from June 30, 2012 to March 31, 2015. The ratio ranged from a low of 107.2 percent as of September 30, 2015 to a high of 119.9 percent as of March 31, 2014. The ratio remained generally stable during the evaluation period and the bank maintained a ratio above comparable institutions. The following table compares the bank to five similarly situated banks, listed in order by total assets as of March 31, 2015. Examiners selected comparable institutions based on their asset size, geographic location, and lending focus.

Loan-to-Deposit Ratio Comparison		
Institution	Total Assets \$(000s)	Average LTD Ratio (%)
Newburyport Five Cents Savings Bank	711,351	114.2
Cape Ann Savings Bank	541,588	75.8
Pentucket Bank	571,602	83.8
Beverly Bank	350,448	94.7
Haverhill Bank	343,521	89.6
Northmark Bank	333,938	103.3

### Assessment Area Concentration

The bank made a majority of home mortgage and small business loans, by number and dollar volume, within its AAs. For home mortgages, total loans decreased year over year. The majority of the decrease is attributable to a decrease in refinance originations. Significant competition also contributed to the decrease in refinances from 2013 to 2014. Please see the following table for more detail.

Lending Inside and Outside the Assessment Areas										
Loan Category	Number of Loans				Total #	Dollars Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2013	178	69.0	80	31.0	258	49,748	62.4	29,932	37.6	79,680
2014	129	64.5	71	35.5	200	42,191	62.3	25,560	37.7	67,751
Subtotal	307	67.0	151	33.0	458	91,939	62.4	55,492	37.6	147,431
Small* Business*	29	67.4	14	32.6	43	3,551	59.2	2,450	40.8	6,001
Source: 2013 and 2014 HMDA Reported Data, (*)2014 Bank Records										

## **Geographic Distribution**

The geographic distribution of loans reflects reasonable dispersion throughout the AA. The bank's reasonable performance of home mortgage and small business lending supports this conclusion. Examiners focused on the percentage by number of loans in moderate-income census tracts.

### ***Home Mortgage Loans***

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the AA. Examiners focused on the comparison to aggregate data. The following table shows that the bank's performance in moderate-income census tracts compares reasonably to aggregate data. The bank's performance decreased in 2014, partially due to the increasingly competitive lending environment, but also due to the overall decrease in loan volume overall.

Market share data further supported the bank's reasonable performance. In 2013, the bank ranked 8<sup>th</sup> in lending in moderate-income census tracts with a market share of 2.3 percent. Newburyport Five was the highest ranked state-chartered institution; all others were large institutions with a national presence.

<b>Geographic Distribution of Home Mortgage Loans</b>						
<b>Tract Income Level</b>	<b>% of Owner-Occupied Housing Units</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Moderate						
2013	11.9	7.3	9	5.1	1,392	2.8
2014	11.9	--	5	3.9	1,588	3.7
Middle						
2013	50.9	49.1	57	32.0	14,001	28.1
2014	63.2	--	73	56.6	22,053	52.3
Upper						
2013	37.2	43.6	112	62.9	34,355	69.1
2014	24.9	--	51	39.5	18,550	44.0
<b>Totals</b>						
<b>2013</b>	<b>100.0</b>	<b>100.0</b>	<b>178</b>	<b>100.0</b>	<b>49,748</b>	<b>100.0</b>
<b>2014</b>	<b>100.0</b>	<b>--</b>	<b>129</b>	<b>100.0</b>	<b>42,191</b>	<b>100.0</b>
<i>Source: 2010 U.S. Census; 2013 and 2014 HMDA Reported Data; 2013 HMDA Aggregate Data "--" data not available</i>						

### ***Small Business Loans***

The geographic distribution of sampled small business loans reflects reasonable dispersion. The following table shows that the bank's performance in moderate-income census tracts exceeds business demographics by 4.3 percentage points. The percentage of loans by dollar amount also falls in line with pertinent business demographics.

<b>Geographic Distribution of Small Business Loans</b>					
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Moderate	9.5	4	13.8	418	11.8
Middle	62.4	17	58.6	1,457	41.0
Upper	28.1	8	27.6	1,676	47.2
<b>Total</b>	<b>100.0</b>	<b>29</b>	<b>100.0</b>	<b>3,551</b>	<b>100.0</b>
<i>Source: 2014 D&amp;B Data, Bank Records</i>					

### **Borrower Profile**

The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes in the AAs. The bank's reasonable performance of home mortgage and small business lending supports this conclusion. Examiners focused on the percentage by number of home mortgage loans to low- and moderate-income borrowers and the percentage by number of small business loans to businesses with GARs of \$1 million or less.

#### ***Home Mortgage Loans***

The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers, is reasonable. Examiners focused on the comparison to aggregate data.

Home mortgage lending to low-income borrowers in 2013, at 2.8 percent, is slightly below aggregate data, and well below demographic data. A low-income family in the AA, with an income below \$46,650 depending on MD and year, would not likely qualify for a mortgage under conventional underwriting standards, considering the relatively high median housing prices in the AA between \$384,264 and \$396,041. While the number of loans to low-income borrowers decreased along with total loan volume in 2014, the percentage increased. Furthermore, the bank made 9.0 percent of its loans to moderate-income borrowers in 2013. This is below, but within a reasonable range of, aggregate data. This performance decreased to 5.4 percent in 2014.

Despite the bank lagging aggregate data in lending to low- and moderate-income individuals in 2013, market share data supports the bank's reasonable performance under this criterion. In 2013, the bank shared a rank of 9<sup>th</sup> with 2.3 percent market share of lending to low-income borrowers. Furthermore, the bank ranked 10<sup>th</sup> in lending to moderate-income borrowers, with a 2.3 percent market share.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2013	15.3	4.1	5	2.8	214	0.4
2014	17.1	--	4	3.1	487	1.2
Moderate						
2013	17.9	13.2	16	9.0	2,112	4.3
2014	19.1	--	7	5.4	1,497	3.6
Middle						
2013	20.7	21.7	31	17.4	5,830	11.7
2014	21.4	--	25	19.4	5,543	13.1
Upper						
2013	46.1	50.3	96	53.9	30,090	60.5
2014	42.4	--	64	49.6	22,304	52.9
Income Not Available						
2013	NA	10.7	30	16.9	11,502	23.1
2014	NA	--	29	22.5	12,360	29.2
<b>Total</b>						
<b>2013</b>	<b>100.0</b>	<b>100.0</b>	<b>178</b>	<b>100.0</b>	<b>49,748</b>	<b>100.0</b>
<b>2014</b>	<b>100.0</b>	<b>--</b>	<b>129</b>	<b>100.0</b>	<b>42,191</b>	<b>100.0</b>
<i>Source: 2010 U.S. Census; 2013 and 2014 HMDA Reported Data; 2013 HMDA Aggregate Data; "--" data not available</i>						

### ***Small Business Loans***

The distribution of small business loans reflects reasonable penetration to businesses with GARs of \$1 million or less. The following table shows that 69.0 percent of the sampled loans were to businesses with GARs of \$1 million or less. This level of lending is commensurate with the percentage of businesses at this GAR level in the AAs.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Annual Revenue Level	% of Businesses	#	%	\$(000s)	%
≤ \$1,000,000	71.7	20	69.0	1,865	52.5
> \$1,000,000	6.1	8	27.6	1,386	39.0
Revenue Not Available	22.2	1	3.4	300	8.5
<b>Total</b>	<b>100.0</b>	<b>29</b>	<b>100.0</b>	<b>3,551</b>	<b>100.0</b>
<i>Source: 2014 D&amp;B Data, Bank Records</i>					

## **Response to Complaints**

The bank did not receive any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the Lending Test rating.

## **COMMUNITY DEVELOPMENT TEST**

Newburyport Five demonstrated adequate responsiveness to the community development needs of its AA through community development loans, qualified investments, and community development services. Examiners considered the institution's capacity and the need and availability of such opportunities.

### **Community Development Loans**

The bank originated 10 community development loans totaling approximately \$3.7 million during the evaluation period. This level of activity represents 4.4 percent of average total assets and 5.3 percent of average total loans since the prior CRA evaluation.

The bank's community development lending includes three loans outside the AA to entities that serve a broader regional area that includes the AA. However, these loans will not directly benefit the AA. As the bank has been responsive to the community development needs of its AA, examiners considered these loans under the Community Development Test. The following table illustrates the bank's community development lending activity by year and purpose.

<b>Community Development Loans</b>								
<b>Activity Year</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Totals</b>	
	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>
2012 *	0	0	0	0	2	376,000	2	376,000
2013	1	561,500	0	0	1	108,000	2	669,500
2014	2	780,000	1	940,000	2	715,500	5	2,435,500
2015 **	1	258,750	0		0	0	1	258,750
<b>Total</b>	<b>4</b>	<b>1,600,250</b>	<b>1</b>	<b>940,000</b>	<b>5</b>	<b>1,199,500</b>	<b>10</b>	<b>3,739,750</b>

*Source: Bank Records - \*From June 4, 2012 to December 31, 2012. \*\*From January 1, 2015 through July 13, 2015*

Below are notable examples of the bank's community development loans:

- During the evaluation period, the bank originated five SBA 504 Certified Development Company (CDC) loans totaling \$1.2 million. These programs offer financing for qualified businesses that may not be eligible for traditional bank financing. SBA 504 loans provide growing businesses with long-term, fixed-rate financing for major fixed assets, such as land and buildings. The five SBA 504 CDC loans were originated in the Newburyport AA.

- The bank granted a \$2,425,000 construction loan secured by a nine-unit townhouse project in Newburyport, MA. One of the units is designated as affordable housing for a low- or moderate-income individual. The pro rata share of the loan consistent with the affordable housing purpose is \$269,500.
- The bank granted a \$400,000 loan on a six-unit property in Hampton, NH. The monthly rental rates for the subject range from \$850-\$900, which are below fair market rents.

### **Qualified Investments**

A qualified investment for the purpose of this CRA evaluation is a lawful investment, deposit, or grant that has community development as its primary purpose. The evaluation considered (1) investment and grant activity, (2) the responsiveness to credit and community development needs, and (3) community development initiatives.

Newburyport Five made 121 qualified investments totaling approximately \$1.4 million. This total includes qualified an equity investment of \$1.0 million made prior to the current evaluation period, and donations through the bank, the bank's charitable foundation, and the Richard Eaton Foundation of approximately \$395,000. The bank also purchased \$25,000 in tax credits through the NH Community Development Finance Agency (CDFA) in 2013 and 2014.

Of the total dollar amount, approximately 96 percent benefited organizational efforts of community service activities that focus on low and moderate-income borrowers throughout the entire AA. These investments demonstrate the bank's responsiveness to its AA.

The following table illustrates the bank's community development investments by year and purpose.

<b>Qualified Investments</b>								
<b>Activity Year</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Totals</b>	
	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>
Prior Period	1	1,000,000	0	0	0	0	1	1,000,000
2012 *	0	0	24	86,422	1	15,000	25	101,422
2013	0	0	42	139,185	0	0	42	139,185
2014	0	0	42	120,100	0	0	42	120,100
2015 **	0	0	11	34,100	0	0	11	34,100
<b>Total</b>	<b>1</b>	<b>1,000,000</b>	<b>119</b>	<b>379,807</b>	<b>1</b>	<b>15,000</b>	<b>121</b>	<b>1,394,807</b>
<i>Source: Bank Records- *From June 4, 2012 through December 31, 2012. **From January 1, 2015 through July 13, 2015.</i>								

### **Equity Investments**

The bank has an equity investment in the CRA Qualified Investment Fund (Fund), which was made July 27, 2011. The Fund accumulates money from numerous financial institutions and reinvests the funds into other qualified CRA investments. The Fund seeks to invest in high quality, fixed-income, securities that support community development activities. Proceeds from



the CRA Fund benefitted the AA or broader regional areas that also included the AA. The current book value as of July 13, 2015 is \$1,000,000.

### Donations

Newburyport Five provides donations in three ways: 1) routine Bank donations and grants; 2) funds distributed from the Newburyport Five Cents Savings Bank Charitable Foundation (the “Foundation”); and 3) The Richard A. Eaton Charitable Foundation, Inc. (REC Foundation). The bank started its own Foundation in 2003 as a non-profit charitable foundation to further carry out the bank’s long history of community involvement, specifically, providing grants to non-profit organizations located within the greater Newburyport area. This has been expanded to make grants in the Portsmouth, NH area as the bank expanded operations into Portsmouth. The REC Foundation was unveiled in May of 2012 and was established with a lead gift of \$400,000 from the bank to provide direct financial support to public and private schools and charitable organizations. Included in the table above is \$20,000 for each year 2012, 2013, and 2014 that qualified through the REC Foundation. All of these grants are all specifically earmarked to provide financial assistance to students whose families are of low- or moderate-income.

Below are notable examples of the bank’s qualified investment activities:

- Jeanne Geiger Crisis Center: The Jeanne Geiger Crisis Center provides social services to low- and moderate-income families. The center offers transitional and emergency housing, counseling, legal representation, education, and promotes economic empowerment. The bank made several donations throughout the evaluation period, and funds were used to address needs in priority areas to ensure the continued strength and viability of its programs and services.
- Turning Point Inc.: The organization seeks to respond to the most pressing needs of the communities it serves by providing and developing human services programs that promote empowerment, independence, and self-sufficiency. The bank made several donations to this organization, which focuses on providing affordable apartments in Newburyport for women and children who are victims of domestic abuse. The organization primarily assists low- and moderate-income individuals.
- YWCA of Greater Newburyport: The YWCA of Greater Newburyport is dedicated to serving the needs of the community. The bank made several donations to this organization for its programs such as affordable housing, grants and scholarships for child care and health and wellness programs, racial justice programs, and community partnerships. The YWCA primarily serves low- and moderate-income individuals.
- Community Action: The Community Action organization provides food and financial assistance to low-income individuals and families through the organization’s food pantry and homelessness prevention program. The organization’s mission is to provide resources and opportunities for individuals, families, and communities to overcome poverty and to reach higher levels of self-sufficiency and economic stability.

In 2014, the bank purchased \$15,000 in New Hampshire business tax credits issued by the NH CDFA on behalf of The Housing Partnership, an owner/developer of affordable housing on the NH and Maine Seacoast. The bank purchased \$10,000 of New Hampshire tax credits under the same CDFA program in 2013.

### **Community Development Services**

The bank provided a relatively high level of community development services. During the evaluation period, bank employees provided 99 instances of financial expertise or technical assistance to a variety of different community development-related organizations in the AA. The following table illustrates the bank's community development services by year and purpose.

<b>Community Development Services</b>				
<b>Activity Year</b>	<b>Community Development Purpose</b>			<b>Totals</b>
	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	
	<b>#</b>	<b>#</b>	<b>#</b>	
2012*	2	14	1	17
2013	2	22	4	28
2014	2	17	8	27
2015**	4	15	8	27
<b>Total</b>	<b>10</b>	<b>68</b>	<b>21</b>	<b>99</b>

*Source: Bank Records- \*From June 4, 2012 through December 31, 2012. \*\*From January 1, 2015 through July 13, 2015.*

Below are notable examples of the bank's community development services:

- **Jumpstart Youth Connection, Inc.:** This non-profit organization provides academic, social, and physical education opportunities to youth in the bank's AA. All of the children are referred to the organization through the Department of Mental Health and the Department of Social Services. Over 90 percent of the children served by the organization's summer camp program are low- or moderate-income. The CRA Officer serves on the Board of this organization.
- **The Pettengill House, Inc.:** This non-profit community service agency provides support, services, and education to local men, women, and children. The organization, which receives 100 percent of its funding from grants and donations, provides basic emergency assistance to local residents and operates a food pantry. In addition, this organization delivers hot meals to residents in need. The majority of the organizations recipients are low- or moderate-income individuals. The Treasurer serves on the Board of this organization.
- **Best Foot Forward:** This non-profit organization offers a variety of services to unemployed or underemployed Merrimack Valley residents. Best Foot Forward provides several major services such as job search direction, interview skills and coaching,

clothing and appearance, and transportation assistance. This organization works closely with Our Neighbors Table food pantry and a vast majority of those served are low- and moderate-income individuals. The Compliance Officer serves as the Treasurer of this organization.

- Boys and Girls Club of Lower Merrimack Valley: This organization provides numerous after school activities for its members, of which the majority is low- or moderate-income. The services include basic life skills for single parent teenagers, and social support services (subsidized by the State). Multiple members of the bank's Board and senior management team serve on the board of this organization.
- Salvation Army: This organization provides numerous services targeted to low- and moderate-income individuals and families. A Vice President serves on this organization's Board in Newburyport, and an Assistant Branch Manager serves on the Advisory Board in Portsmouth, NH.

Additionally, the bank participates in the Massachusetts Community and Banking Council's (MCBC) Basic Banking program in Massachusetts. This statewide program is designed to offer low-cost checking and savings accounts to low- and moderate-income individuals.

## **DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

Examiners did not identify any evidence of discriminatory or other illegal credit practices; therefore, this consideration did not affect the institution's overall CRA rating.

## NEWBURYPORT, MA AA

### SCOPE OF EVALUATION

The scope of the evaluation is similar to the overall scope. Please refer to the overall Scope section for additional information. Considering that this area accounts for a majority of the bank's branches and loans, performance in this area carried more weight than performance in the Portsmouth AA when arriving at overall ratings and conclusions.

### DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE NEWBURYPORT, MA AA

The Newburyport AA is composed of the following five cities and towns: Amesbury, MA, Newbury, MA, Newburyport, MA, West Newbury, MA, and Seabrook, NH. The bank operates six full-service branches and one limited-service branch in this AA. Three branches are located in middle-income census tracts, and three are located in upper-income census tracts. Five of the six branches offer drive-up teller service.

### DESCRIPTION OF NEWBURYPORT, MA AA

Using the 2010 U.S. Census Data, the Newburyport AA is composed of 14 census tracts, including 2 moderate-, 8 middle-, and 4 upper-income geographies. The AA includes 12 census tracts in Essex County, MA, and 2 census tracts in Seabrook, NH. The table below illustrates select demographic information for the AA based on 2010 U.S. Census Data.

Demographic Information for the Newburyport, MA Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
Geographies (Census Tracts)	14	0.0	14.3	57.1	28.6	0.0
Population by Geography	61,576	0.0	14.1	51.2	34.7	0.0
Owner-Occupied Housing Units by Geography	18,750	0.0	14.9	50.7	34.4	0.0
Non-Farm Businesses by Geography	6,229	0.0	11.7	44.1	44.2	0.0
Distribution of Families by Income Level	16,367	17.9	18.6	20.7	42.8	0.0
2013 FFIEC-Estimated Median Family Income		\$83,500	Median Housing Value		\$396,041	
2014 FFIEC-Estimated Median Family Income		\$93,300	Unemployment Rate		4.2%	
Families Below Poverty Level		2.5%				
Source: 2010 U.S. Census data, 2014 D&B data, 2013 and 2014 FFIEC-Estimated Median Family Income						

The table above shows that a vast majority of the population and owner-occupied housing units are located in middle- and upper-income geographies. There are 28,887 housing units in the Newburyport, MA AA, of which 18,750 are owner-occupied, 6,698 are occupied rental units, and 3,439 are vacant.

According to 2014 D&B data, there were 6,229 non-farm businesses in the Newburyport, MA AA. Of these businesses, 74.5 percent have GARs of \$1 million or less; 5.3 percent have more than \$1 million; and 20.2 percent have unknown revenues.

Service industries represent the largest portion of businesses at 45.7 percent; followed by retail trade at 13.0 percent; construction at 8.2 percent; and finance, insurance, and real estate at 6.3 percent. One of the major employers in the area is the Anna Jaques Hospital. Of total businesses, 67.3 percent employ four or fewer people, and 92.6 percent operate from a single location.

## **CONCLUSIONS ON PERFORMANCE CRITERIA**

### **LENDING TEST**

#### **Geographic Distribution**

The geographic distribution of loans reflects reasonable dispersion throughout the Newburyport AA. The bank's reasonable performance of home mortgage and small business lending supports this conclusion. Examiners focused on the percentage by number of loans in moderate-income census tracts.

#### ***Home Mortgage Loans***

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area. Examiners focused on the comparison to aggregate data. The following table shows that the bank's performance in moderate-income census tracts is below the aggregate level. In 2014, the bank's performance decreased by number and percentage.

Market share data provides support for the bank's reasonable performance. Out of all lenders operating within this AA, the bank ranked 4<sup>th</sup> in lending in moderate-income census tracts, with a market share of 3.0 percent. This performance is comparable to much larger institutions operating within the area, such as Bank of America, CitiMortgage, and Santander. Aggregate data suggests a limited demand and opportunity for making home mortgage loans in the moderate-income tracts of the Newburyport AA.

<b>Geographic Distribution of Home Mortgage Loans – Newburyport AA</b>						
<b>Tract Income Level</b>	<b>% of Owner-Occupied Housing Units</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Moderate						
2013	14.9	8.3	9	5.4	1,392	3.0
2014	14.9	--	5	4.5	1,588	4.4
Middle						
2013	32.5	29.2	45	27.1	10,495	22.7
2014	50.7	--	55	49.5	16,093	44.4
Upper						
2013	52.6	62.5	112	67.5	34,355	74.3
2014	34.4	--	51	46.0	18,550	51.2
<b>Totals</b>						
<b>2013</b>	<b>100.0</b>	<b>100.0</b>	<b>166</b>	<b>100.0</b>	<b>46,242</b>	<b>100.0</b>
<b>2014</b>	<b>100.0</b>	<b>--</b>	<b>111</b>	<b>100.0</b>	<b>36,231</b>	<b>100.0</b>
<i>Source: 2010 U.S. Census; 2013 and 2014 HMDA Reported Data; 2013 HMDA Aggregate Data "--" data not available</i>						

### ***Small Business Loans***

The geographic distribution of sampled small business loans reflects reasonable dispersion. The following table shows that the bank's performance in moderate-income census tracts exceeds the percentage of businesses in moderate-income tracts by 3.1 percentage points. This difference reflects reasonable performance.

<b>Geographic Distribution of Small Business Loans – Newburyport AA</b>					
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Moderate	11.7	4	14.8	418	12.8
Middle	44.1	15	55.6	1,182	36.1
Upper	44.2	8	29.6	1,676	51.1
<b>Total</b>	<b>100.0</b>	<b>27</b>	<b>100.0</b>	<b>3,276</b>	<b>100.0</b>
<i>Source: 2014 D&amp;B Data, Bank Records</i>					

### **Borrower Profile**

The distribution of borrowers reflects reasonable penetration among individuals of different incomes and businesses of different sizes. The bank's reasonable performance of home mortgage and small business lending supports this conclusion. Examiners focused on the percentage by number of home mortgage loans to low- and moderate-income borrowers, and on small business loans to businesses with GARs of \$1 million or less.

## Home Mortgage Loans

The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers, is reasonable. Examiners focused on the comparison to aggregate data.

Home mortgage lending to low-income borrowers in 2013, at 3.0 percent, is reasonable when compared to aggregate data at 3.9 percent. The relatively high median housing prices in this area helps explain the difference between bank and aggregate performance and the demographic data. Market share data supports the bank's reasonable performance under this criterion. The bank ranked 5<sup>th</sup> in lending to low-income borrowers in this assessment area, with a market share of 3.6 percent. In 2014, lending to low-income borrowers remained consistent at 2.7 percent.

The bank's performance of lending to moderate-income borrowers was below aggregate performance and demographic data. Despite the lagging comparison, the bank ranked 6<sup>th</sup> with a market share of 3.4 percent of 100 lenders that originated at least one loan to a moderate-income borrower in 2013. Market share data provides further support for the bank's reasonable performance.

Distribution of Home Mortgage Loans by Borrower Income Level – Newburyport AA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2013	15.3	3.9	5	3.0	214	0.4
2014	17.9	--	3	2.7	407	1.1
Moderate						
2013	16.9	13.1	16	9.6	2,112	4.6
2014	18.6	--	7	6.3	1,497	4.1
Middle						
2013	19.7	22.3	31	18.7	5,830	12.6
2014	20.7	--	23	20.7	5,311	14.7
Upper						
2013	48.1	49.5	88	53.0	27,828	60.2
2014	42.8	--	51	46.0	17,325	47.8
Income Not Available						
2013	NA	11.2	26	15.7	10,258	22.2
2014	NA	--	27	24.3	11,691	32.3
<b>Total</b>						
<b>2013</b>	<b>100.0</b>	<b>100.0</b>	<b>166</b>	<b>100.0</b>	<b>46,242</b>	<b>100.0</b>
<b>2014</b>	<b>100.0</b>	<b>--</b>	<b>111</b>	<b>100.0</b>	<b>36,231</b>	<b>100.0</b>
<i>Source: 2010 U.S. Census; 2013 and 2014 HMDA Reported Data; 2013 HMDA Aggregate Data; "--" data not available</i>						

### ***Small Business Loans***

The distribution of small business loans reflects reasonable penetration to businesses with GARs of \$1 million or less. The following table shows that 70.4 percent of the sampled loans were to businesses with GARs of \$1 million or less, which is slightly below the percentage of businesses in this revenue category. This comparison reflects reasonable performance.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category – Newburyport AA</b>					
<b>Gross Annual Revenue Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
≤ \$1,000,000	74.5	19	70.4	1,840	56.2
> \$1,000,000	5.2	7	25.9	1,136	34.7
Revenue Not Available	20.3	1	3.7	300	9.1
<b>Total</b>	<b>100.0</b>	<b>27</b>	<b>100.0</b>	<b>3,276</b>	<b>100.0</b>
<i>Source: 2014 D&amp;B Data, Bank Records</i>					

### **COMMUNITY DEVELOPMENT TEST**

Newburyport Five demonstrated adequate responsiveness to the community development needs of the Newburyport AA through community development loans, qualified investments, and community development services.

#### **Community Development Loans**

During the evaluation period, the bank originated seven community development loans totaling approximately \$2.4 million that benefited the Newburyport AA portion of the bank's delineated assessment area. Of the seven loans originated in the Newburyport AA, five had a primary purpose of economic development, and one each had a primary purpose of community service and affordable housing.

Please refer to the overall Community Development Loans section for additional information.

#### **Qualified Investments**

A substantial majority of the bank's qualified investments benefitted this area of the combined assessment area.

The bank has an equity investment in the CRA Qualified Investment Fund (Fund), which was made July 27, 2011. The Fund accumulates investments from numerous financial institutions and reinvests the funds into other qualified CRA investments. The funds are distributed throughout the bank's entire AA including the Newburyport AA.



During the evaluation period, the bank made qualified donations totaling \$327,257 in the Newburyport AA. Please refer to the overall Investment Test section for additional information and examples.

### **Community Development Services**

Bank officers and staff members provided their financial expertise to various community development organizations. A vast majority (93 of 99) of community development services were to organizations within the Newburyport AA. Please refer to the overall discussion for examples of the bank's community development services.

## PORTSMOUTH, NH AA

### SCOPE OF EVALUATION

The scope of the evaluation is similar to the overall scope. Please refer to the overall Scope section for additional information. Considering that a majority of branches are in the Newburyport AA, the small number of loans in the Portsmouth AA compared to total lending activity, and the bank's recent entry into the Portsmouth market, performance in this area carried less weight than performance in the Newburyport AA when arriving at overall ratings and conclusions.

### DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE PORTSMOUTH, NH AA

The Portsmouth AA includes Greenland, Portsmouth, and Rye, NH. The bank operates two full-service branches in this AA, both of which are in middle-income census tracts. One of the branches offers drive-up teller services.

### DESCRIPTION OF THE PORTSMOUTH, NH AA

Based on 2010 U.S. Census Data, the Portsmouth AA is composed of nine census tracts including one moderate-, one upper-, and seven middle-income census tracts. All tracts are located in Rockingham County, NH. The following table illustrates select demographic information for the AA.

Demographic Information for the Portsmouth, NH Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
Geographies (Census Tracts)	9	0.0	11.1	77.9	11.0	0.0
Population by Geography	31,347	0.0	7.9	88.4	3.7	0.0
Owner-Occupied Housing Units by Geography	8,855	0.0	5.5	89.8	4.7	0.0
Non-Farm Businesses by Geography	5,391	0.0	6.9	83.6	9.5	0.0
Distribution of Families by Income Level	7,615	15.4	20.2	22.9	41.5	0.0
2013 FFIEC-Estimated Median Family Income		\$87,000	Median Housing Value Unemployment Rate		\$384,264	
2014 FFIEC-Estimated Median Family Income		\$86,600			3.3%	
Families Below Poverty Level		3.5%				
Source: 2010 U.S. Census data, 2014 D&B data, 2013 and 2014 FFIEC-Estimated Median Family Income						

The table above shows that the majority of the population and owner-occupied housing units are located in middle- and upper-income geographies. In the Portsmouth, NH AA, there are 15,624 units, 8,855 of which are owner-occupied, 5,411 are occupied rental units, and 1,358 are vacant.

According to 2014 D&B data, there were 5,391 non-farm businesses in the Portsmouth, NH AA. Of those non-farm businesses, 68.4 percent have GARs of \$1 million or less; 7.1 percent have more than \$1 million; and 24.5 percent have unknown revenues.

Of businesses in the AA, 98.1 percent are non-farm and 1.9 percent are farm businesses. Similar to the Newburyport AA, service industries represent the largest portion of businesses at 43.8 percent; followed by retail trade at 14.7 percent; finance, insurance, and real estate at 10.7 percent; and construction at 5.6 percent. One of the major employers in the area is the Portsmouth Naval Shipyard. Approximately 61.0 percent of businesses in the area employ four or fewer people, and 86.4 percent of businesses in the area operate from a single location.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN THE PORTSMOUTH ASSESSMENT AREA**

### **LENDING TEST**

#### **Geographic Distribution**

The geographic distribution of loans reflects reasonable dispersion throughout the Portsmouth AA. The bank's performance of home mortgage and small business lending supports this conclusion. Examiners focused on the percentage by number of loans in the moderate-income census tract and performance context factors such as limited demand and opportunity for loans and the bank's relatively recent entry into the Portsmouth area.

#### ***Home Mortgage Loans***

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout this AA. All loans in 2013 and 2014 were made in the area's middle-income census tracts. While the bank did not make a loan in the area's sole moderate-income tract, aggregate data show that only 40 lenders originated 89 loans in this tract in 2013. The institution with the largest number of loans was one with a nationwide presence, which only originated nine loans. These factors help explain the bank's lack of penetration in the one moderate-income tract.

#### ***Small Business Loans***

The geographic distribution of sampled small business loans reflects reasonable dispersion. Of the loans sampled, the bank originated two loans, both of which were made in middle-income census tracts. Considering the relatively small sample of small business loans, this performance is reasonable.

### **Borrower Profile**

The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes. The banks reasonable performance of home mortgage and small business lending supports this conclusion. Examiners focused on the percentage by number of home mortgage loans to low- and moderate-income borrowers and the percentage by number of small business loans to businesses with GARs of \$1 million or less.

### ***Home Mortgage Loans***

The distribution of home mortgage loans to individuals of different income levels, including those of low- and moderate-income, is reasonable. Examiners focused on the bank's performance context as well as aggregate lending data.

The bank did not originate any loans to low- or moderate-income borrowers in 2013, but increased performance to one loan to a low-income borrower in 2014. Aggregate data for 2013 reveals limited demand and opportunity for home mortgage loans to low- and moderate-income borrowers. Furthermore, a low- or moderate-income family with income of no more than \$69,600 (80 percent or less of median family income) would likely have difficulty obtaining a home mortgage, especially considering the median housing value in the Portsmouth AA of \$384,264. Considering demographics, limited demand and opportunity, as well as the competitive lending environment, the bank's performance is reasonable.

### ***Small Business Loans***

The distribution of sampled small business loans reflects reasonable penetration to businesses with GARs of \$1 million or less. Of the two loans in this AA, one was to a business with GARs of \$1 million or less. This number compares reasonably to the percentage of businesses in this revenue category.

## **COMMUNITY DEVELOPMENT TEST**

Newburyport Five demonstrated adequate responsiveness to the community development needs of its assessment area through qualified investments and community development services within the Portsmouth, NH AA.

### **Community Development Loans**

The bank did not originate any qualified community development loans in the Portsmouth, NH AA during the evaluation period.

### **Qualified Investments**

The bank has an equity investment in the CRA Qualified Investment Fund (Fund), which was made on July 27, 2011. The Fund accumulates money from numerous financial institutions and reinvests the funds into other qualified CRA investments. The funds are distributed throughout the bank's entire AA including the Portsmouth, NH AA. In addition, the bank made qualified donations totaling \$52,550 in this AA during the evaluation period. Encompassed within this total are the bank's investments in NH CDFA tax credits, which were detailed in the overall Qualified Investments section.

### **Community Development Services**

Bank officers and staff members provided their financial expertise to various community development organizations, including six within the Portsmouth AA. Please refer to the overall discussion for examples of the bank's community development services.

## APPENDIX A

### Division of Banks

#### ***Fair Lending Policies and Procedures Review***

The Division of Banks provides comments regarding the institution's fair lending policies and procedures pursuant to Regulatory Bulletin 1.3-106.

Based on a review of the bank's public comment file and its performance relative to fair lending policies and practices, no violations of the anti-discrimination laws and regulations were identified. The bank administers several layers of control for fair lending risk in the form of monitoring, audits, and policies and procedures.

#### **Minority Application Flow**

The bank's residential lending data from 2013 was compared with 2013 aggregate lending data to assist in deriving reasonable expectations for the rate of applications the bank received from minority applicants. Refer to the table below for information on the bank's minority application flow in 2013 and 2014 as well as aggregate data for 2013.

<b>Minority Application Flow</b>					
<b>RACE</b>	<b>Bank 2013</b>		<b>2013 Aggregate Data</b>	<b>Bank 2014</b>	
	#	%		#	%
<i>American Indian/Alaska Native</i>	0	0	0.2	0	0
<i>Asian</i>	3	1.1	0.7	0	0
<i>Black/African-American</i>	0	0	0.2	2	1.1
<i>Hawaiian/Pac. Isl.</i>	0	0	0.0	0	0
<i>2 or more Minority</i>	0	0	0.0	0	0
<i>Joint Race (White/Minority)</i>	0	0	0.9	0	0
<b>Total Minority</b>	<b>3</b>	<b>1.1</b>	<b>2.0</b>	<b>2</b>	<b>1.1</b>
<i>White</i>	186	71.0	80.0	130	73.9
<i>Race Not Available</i>	73	27.9	18.0	44	25
<b>Total</b>	<b>262</b>	<b>100.0</b>	<b>100.0</b>	<b>176</b>	<b>100.0</b>
<b>ETHNICITY</b>					
<i>Hispanic or Latino</i>	0	0	0.5	1	0.6
<i>Not Hispanic or Latino</i>	185	70.6	80.7	130	73.9
<i>Joint (Hisp/Lat/Not Hisp/Lat)</i>	1	0.4	0.6	1	0.5
<i>Ethnicity Not Available</i>	76	29.0	18.2	44	25
<b>Total</b>	<b>262</b>	<b>100.0</b>	<b>100.0</b>	<b>176</b>	<b>100.0</b>

Based on 2014 data, the bank's AA had a population of 61,576, of which 4.5 percent are minorities. Minority and ethnic population consists of 0.5 percent Black/African-American, 1.0 percent Asian/Pacific Islander, 0.1 percent American Indian, 1.6 percent Hispanic or Latino and 1.4 percent other race. This is a low minority demographic relative to other portions of the Multistate MSA.

In 2013, the bank received three applications, or 1.1 percent, from minorities, which is below the aggregate of 2.0 percent. Of these three applications, one or 33.3 percent resulted in origination, compared to 66.2 percent for aggregate. The bank received one application that included a Hispanic/Latino applicant.

In 2014, the bank received two applications, or 1.1 percent from minorities, both of which were originated. The bank received one application from a Hispanic or Latino applicant, which was originated. In addition, the bank received one a joint application that included a Hispanic/Latino applicant; that application was not originated.

When compared to demographic and aggregate data, the bank's minority application flow is adequate.

## **APPENDIX B GLOSSARY**

**Aggregate Lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

**Area Median Income:** The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

**Assessment Area:** A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

**Census Tract:** A small, relatively permanent statistical subdivision of a county. Census tract boundaries normally follow visible features, but they may follow governmental unit boundaries and other non-visible features in some instances. They always nest within counties. Census tracts average about 4,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogenous for population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Combined Statistical Area (CSA):** A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

**Community Development:** For loans, investments, and services to qualify as community development activities, their primary purpose must:

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms;
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies; or
- (5) Enable or facilitate projects or activities that address needs regarding foreclosed or abandoned residential properties in designated target areas.

**Community Development Corporation (CDC):** A CDC allows banks and holding companies to make equity type of investments in community development projects. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Bank CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.



**Community Development Financial Institutions (CDFIs):** CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

**Community Development Loan:** A loan that

- (1) Has as its primary purpose community development; and
- (2) Except in the case of a wholesale or limited purpose bank:
  - (i) Has not been reported or collected by the bank or an affiliate for consideration in the bank's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
  - (ii) Benefits the bank's assessment area(s) or a broader statewide or regional area including the bank's assessment area(s).

**Community Development Service:** A service that

- (1) Has as its primary purpose community development;
- (2) Is related to the provision of financial services; and
- (3) Has not been considered in the evaluation of the bank's retail banking services under § 345.24(d).

**Consumer Loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Core Based Statistical Area (CBSA):** The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

**Distressed Middle-Income Nonmetropolitan Geographies:** A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

- (1) An unemployment rate of at least 1.5 times the national average;
- (2) A poverty rate of 20 percent or more; or
- (3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

**Family Income:** Includes the income of all members of a family that are age 15 and older.

**FFIEC-Estimated Income Data:** The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

**Full-Scope Review:** A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity, and responsiveness).

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

**Home Mortgage Disclosure Loan Application Register (HMDA LAR):** The HMDA LARs record all applications received for residential purchase, refinance, home improvement, and temporary-to-permanent construction loans.

**Home Mortgage Loans:** Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multi-family (five or more families) dwelling loans, loans to purchase manufactured homes, and refinancings of home improvement and home purchase loans.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Household Income:** Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households are only one person, median household income is usually less than median family income.

**Housing Unit:** Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

**Limited-Scope Review:** A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is often analyzed using only quantitative factors (for example, geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

**Low Income Housing Tax Credit:** The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

**Median Income:** The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

**Metropolitan Division (MD):** A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

**Metropolitan Statistical Area (MSA):** CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

**Micropolitan Statistical Area:** CBSA associated with at least one urbanized area having a population of at least 10,000, but less than 50,000.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

**Multi-family:** Refers to a residential structure that contains five or more units.

**Nonmetropolitan Area:** All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified Investment:** A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rated Area:** A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

**Rural Area:** Territories, populations, and housing units that are not classified as urban.

**Small Business Investment Company (SBIC):** SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

**Small Business Loan:** A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

**Small Farm Loan:** A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

**Underserved Middle-Income Nonmetropolitan Geographies:** A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating the area's population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

**Upper-Income:** Individual income that is 120 percent or more of the area median income, or a median family income that is 120 percent or more in the case of a geography.

**Urban Area:** All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, "urban" consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

"Urban" excludes the rural portions of "extended cities"; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.